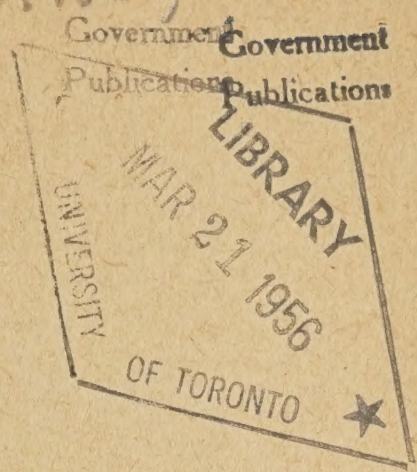


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Canada, Railway, Canals and Telegraph
Lines, Standing Cttee, on 1956,



1956
no. 1

HOUSE OF COMMONS
Third Session—Twenty-second Parliament
1956

STANDING COMMITTEE
ON
**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: H. B. McCULLOCH, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 1 including First, Second and Third Reports

Bill No. 148 (Letter Z-2 of the Senate), An Act respecting Quebec North
Shore and Labrador Railway Company
Bill No. 151 (Letter Q of the Senate), An Act to incorporate Hydrocarbons
Pipeline Limited

TUESDAY, MARCH 13, 1956

WITNESSES:

On Bill 148: Messrs. Cuthbert Scott, Q.C., Parliamentary Agent,
Ottawa; Hugh E. O'Donnell, Solicitor, Montreal; and W. H. Durrell, Vice-
President and General Manager, Iron Ore Company of Canada, Montreal.

On Bill 151: Messrs. G. D. Weaver, M.P., Sponsor; E. H. Cole-
man, Q.C., Parliamentary Agent, Ottawa; R. K. McConnell, Director, Cana-
dian Hydrocarbons Limited, Toronto; and D. M. Deacon, Vice-President
and Director, Canadian Hydrocarbons Limited, Toronto.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1956

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: H. B. McCulloch, Esq.,

and

Messrs.

Barnett	Garland	Leboe
Batten	Goode	Maltais
Bennett (Miss) (Halton)	Gourd (Chapleau)	McBain
Bonnier	Green	McCullough
Boucher (Chateauguay- Huntingdon-Laprairie)	Habel	(Moose Mountain)
Buchanan	Hahn	McIvor
Byrne	Hamilton (York-West)	Meunier
Campbell	Harrison	Murphy (Lambton West)
Carrick	Healy	Murphy (Westmorland)
Carter	Herridge	Nesbitt
Cauchon	Hodgson	Nickle
Cavers (Vice-Chairman)	Holowach	Nixon
Clark	Hosking	Nowlan
Decore	Howe (Wellington- Huron)	Purdy
Deschatelets	James	Ross
Dufresne	Johnston (Bow River)	Small
Dupuis	Kickham	Viau
Ellis	Lafontaine	Villeneuve
Follwell	Langlois (Gaspé)	Vincent
Gagnon	Lavigne	Weselak

A. Small,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,

THURSDAY, January 26, 1956

Resolved,—That the following Members do compose the Standing Committee on Railways, Canals and Telegraph Lines:

Messrs:

Barnett,	Gagnon,	Langlois (Gaspé),
Batten,	Garland,	Lavigne,
Bennett (Miss),	Gauthier (Lac-Saint-	Leboe,
Bonnier,	Jean),	McBain,
Boucher (Châteauguay-	Goode,	McCulloch (Pictou),
Huntingdon-	Gourd (Chapleau),	McIvor,
Laprairie),	Green,	Meunier,
Buchanan,	Habel,	Montgomery,
Byrne,	Hahn,	Murphy (Lambton West),
Campbell,	Hamilton (York West),	Murphy (Westmorland),
Carrick,	Harrison,	Nesbitt,
Carter,	Healy,	Nicholson,
Cauchon,	Herridge,	Nixon,
Cavers,	Hodgson,	Nowlan,
Clark,	Holowach,	Purdy,
Decore,	Hosking,	Ross,
Deschatelets,	Howe (Wellington-	Small,
Dufresne,	Huron),	Viau,
Dupuis,	James,	Villeneuve,
Ellis,	Johnston (Bow River),	Vincent,
Follwell,	Kickham,	Weselak—60.
	Lafontaine,	

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

FRIDAY, March 2, 1956.

Ordered,—That the name of Mr. Nickle be substituted for that of Mr. Montgomery on the said Committee.

Ordered,—That the following Bill be referred to the said Committee:

Bill No. 148 (Letter Z-2 of the Senate), intituled: "An Act respecting Quebec North Shore and Labrador Railway Company".

MONDAY, March 5, 1956.

Ordered,—That the following Bill be referred to the said Committee:

Bill No. 151 (Letter Q of the Senate), intituled: "An Act to incorporate Hydrocarbons Pipeline Limited".

STANDING COMMITTEE

MONDAY, March 12, 1956.

Ordered,—That the name of Mr. Maltais be substituted for that of Mr. Gauthier (*Lac-Saint-Jean*) on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

TUESDAY, March 13, 1956.

Ordered,—That the quorum of the said Committee be reduced from 20 to 12 members and that Standing Order 65(1)(b) be suspended in relation thereto.

Ordered,—That the said Committee be authorized to sit while the House is sitting.

Ordered,—That the said Committee be empowered to print, for the use of the Committee and of Parliament, such papers and evidence as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE

TUESDAY, March 13, 1956.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

FIRST REPORT

Your Committee recommends:

1. That its quorum be reduced from 20 to 12 members and that Standing Order 65(1) (b) be suspended in relation thereto.
2. That it be authorized to sit while the House is sitting.
3. That it be empowered to print, for the use of the Committee and of Parliament, such papers and evidence as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto.

Respectfully submitted,

H. B. McCULLOCH,
Chairman.

(NOTE:—This Report concurred in by the House. See Orders of Reference, March 13, 1956).

WEDNESDAY, March 14, 1956.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

SECOND REPORT

Your Committee has considered the following Bills and has agreed to report them without amendment:

Bill No. 148 (Letter Z-2 of the Senate), intituled: "An Act respecting Quebec North Shore and Labrador Railway Company".

Bill No. 151 (Letter Q of the Senate), intituled: "An Act to incorporate Hydrocarbons Pipeline Limited".

A copy of the Minutes of Proceedings and Evidence adduced in respect of both Bills is tabled herewith.

Respectfully submitted,

H. B. McCULLOCH,
Chairman.

WEDNESDAY, March 14, 1956.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

THIRD REPORT


Clause 3 of Bill No. 151 (Letter Q. of the Senate), intituled: "An Act to incorporate Hydrocarbons Pipeline Limited", reported this day by the Committee in its Second Report, provides for capital stock of one million shares without nominal or par value.

Your Committee recommends that, for the purpose of levying the charges specified in Standing Order 94(3), the aggregate value of the said shares be deemed to be twenty-five million dollars (\$25,000,000).

Respectfully submitted,

H. B. McCULLOCH,
Chairman.

(NOTE: This Report concurred in by the House on March 14, 1956).



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MINUTES OF PROCEEDINGS

TUESDAY, March 13, 1956.

MORNING SITTING

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.30 a.m. The Chairman, Mr. H. B. McCulloch, presided.

Members present: Messrs. Barnett, Batten, Bonnier, Byrne, Campbell, Carrick, Cavers, Decore, Deschatelets, Follwell, Gagnon, Gourd (*Chapleau*), Green, Habel, Hahn, Hamilton (*York West*), Harrison, Healy, Hodgson, Holowach, Hosking, Howe (*Wellington-Huron*), James, Johnston (*Bow River*), Lafontaine, Langlois (*Gaspé*), Lavigne, Leboe, McBain, McCulloch (*Pictou*), McCullough (*Moose Mountain*), McIvor, Meunier, Murphy (*Lambton West*), Murphy (*Westmorland*), Purdy, Small, Viau, and Weselak.—(39)

In attendance:

On Bill No. 148: Mr. Cuthbert Scott, Q.C., Parliamentary Agent, Ottawa; Mr. Hugh E. O'Donnell, Q.C., Solicitor for the promoters, Montreal; and Mr. W. H. Durrell, Vice-President and General Manager, Iron Ore Company of Canada, Montreal.

On Bill No. 151: Mr. G. D. Weaver, M.P., Sponsor; Mr. E. H. Coleman, Q.C., Parliamentary Agent, Ottawa; Mr. R. K. McConnell, Director, Canadian Hydrocarbons Limited, Toronto; and Mr. D. M. Deacon, Vice-President and Director, Canadian Hydrocarbons Limited, Toronto.

On motion of Mr. James, seconded by Mr. Carrick,

Resolved,—That Mr. Cavers be Vice-Chairman of this Committee.

On motion of Mr. Purdy, seconded by Mr. Holowach,

Resolved,—That a recommendation be made to the House to reduce the quorum from 20 to 12 members and that Standing Order 65 (1) (b) be suspended in relation thereto.

On motion of Mr. Murphy (*Westmorland*), seconded by Mr. Purdy,

Resolved,—That a recommendation be made to the House to empower the Committee to sit while the House is sitting.

On motion of Mr. Harrison, seconded by Mr. Weselak,

Resolved,—That a recommendation be made to the House to empower the Committee to print, for the use of the Committee and of Parliament, such papers and evidence as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto.

On motion of Mr. Green, seconded by Mr. Murphy (*Lambton West*),

Resolved,—That the Committee print 650 copies in English and 200 copies in French of the Minutes of Proceedings and Evidence in relation to Bill No. 148 and Bill No. 151.

The Committee commenced consideration of Bill No. 148 (Letter Z-2 of the Senate), intituled: "An Act respecting Quebec North Shore and Labrador Railway Company".

On the Preamble:

Messrs. Scott, O'Donnell, and Durrell representing the promoters, were called, explained the purposes of the Bill, and were questioned thereon.

The Preamble was adopted.

On Clause 1:

Mr. Green moved, seconded by Mr. Murphy (*Lambton West*), that Clause 1 be amended by deleting the word "ten" in line 9 of the Bill and substituting the word "five" therefor.

After discussion, and the question having been put, the said motion was negatived on the following division: *Yeas, 6; Nays, 30.*

Clause 1 was adopted, on division.

The Title and the Bill were adopted.

Ordered,—That the Chairman report the Bill to the House without amendment.

The Committee then proceeded to consideration of Bill No. 151 (Letter Q of the Senate), intituled: "An Act to incorporate Hydrocarbons Pipeline Limited".

On the Preamble:

After introduction by Mr. Weaver, M.P., Sponsor of the Bill, Messrs. Coleman, McConnell, and Deacon, representing the promoters, were called, explained the purposes of the Bill, and were questioned thereon. The promoters also filed an affidavit verifying that the authorized capital stock of the proposed company will not exceed twenty-five million dollars (\$25,000,000).

At 12.30 p.m., the Committee suspended proceedings until 3.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed its proceedings at 3.00 p.m. The Chairman, Mr. H. B. McCulloch, presided.

Members present: Messrs. Barnett, Bonnier, Buchanan, Byrne, Campbell, Carrick, Deschatelets, Gourd (*Chapleau*), Green, Habel, Hahn, Hamilton (*York West*), Harrison, Hodgson, Holowach, Hosking, Howe (*Wellington-Huron*), Johnston (*Bow River*), Lafontaine, Lavigne, Leboe, McBain, McCulloch (*Pictou*), McCullough (*Moose Mountain*), Meunier, Murphy (*Westmorland*), Nixon, Purdy, Small, Viau, and Weselak.—(31)

In attendance:

On Bill No. 151: (same as morning sitting).

On resumed consideration of Bill No. 151:

The Preamble, Clauses 1 and 2 were adopted.

On Clause 3:

On motion of Mr. Hosking, seconded by Mr. Byrne,

Resolved,—That, for the purpose of levying the charges specified in Standing Order 94 (3), the Committee recommend to the House that the proposed capital stock, consisting of one million shares without nominal or par value, be deemed to be twenty-five million dollars (\$25,000,000).

Clauses 3 to 10 inclusive were adopted.

The Title and the Bill were adopted.

Ordered,—That the Chairman report the Bill to the House without amendment.

At 3.30 p.m., the Committee adjourned to the call of the Chair.

A. Small,
Clerk of the Committee.

EVIDENCE

March 13, 1956,
10.30 a.m.

The CHAIRMAN: Gentlemen, we have a quorum.

The first item of business is organization motions and we have to appoint a vice-chairman.

Mr. JAMES: Mr. Chairman, after a lengthy deliberation with my colleagues, I move, seconded by Mr. Carrick, that Mr. Cavers be vice-chairman of the committee.

Motion agreed to.

The CHAIRMAN: The second item of business is that a recommendation be made to the house to reduce the quorum.

Mr. PURDY: Mr. Chairman, I move that a recommendation be made to the house to reduce the quorum from 20 to 12 members and that Standing Order 65 (1) (b) be suspended in relation thereto. Mr. Holowach seconds this motion.

Motion agreed to.

The CHAIRMAN: The next motion is to empower the committee to sit while the house is sitting.

Mr. MURPHY (*Westmorland*): Mr. Chairman, I move that the committee be empowered to sit while the house is sitting.

Motion agreed to.

The CHAIRMAN: The next item is a recommendation to the house to empower the committee to print, for the use of the committee and of parliament, such papers and evidence as may be ordered by the committee.

Mr. HARRISON: I move that a recommendation be made to the House to empower the Committee to print, for the use of the Committee and of Parliament, such papers and evidence as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto.

Motion agreed to.

Mr. GREEN: Mr. Chairman, I move that the Committee print 650 copies in English and 200 copies in French of the Minutes of Proceedings and Evidence in relation to Bill No. 148 and Bill No. 151.

Motion agreed to.

The CHAIRMAN: We will now consider Bill 148, (Z2 of the Senate), an Act respecting Quebec North Shore and Labrador Railway Company.

On the Preamble:

At this point I wish to call the parliamentary agent, Mr. C. Scott, Q.C., and any other witnesses we have here.

Mr. C. SCOTT, Q.C.: Mr. Chairman and gentlemen, the first bill, respecting the Quebec North Shore and Labrador Railway Company, is merely a bill to extend the time in the construction of a section of the railroad.

We have, on behalf of the proponents of the bill, Mr. Hugh E. O'Donnell, Q.C., who is the solicitor, and Mr. W. H. Durrell, vice-president and general manager of the Iron Ore Company of Canada. If it pleases the committee I would suggest that Mr. O'Donnell explain the bill first, and then Mr. Durrell will give evidence and answer any questions.

Mr. Hugh E. O'Donnell, Q.C., Solicitor for Quebec North Shore and Labrador Railway Company, called.

The WITNESS: Mr. Chairman and members of the committee, this is a very simple bill. It is merely asking for authority to extend the franchise for a further ten years. The railway was incorporated, as hon. members know, in 1947 and its purpose was to permit the construction of a railway from a point on the St. Lawrence river to Ungava Bay. It might be of interest if I were to point out on the map here where it is. Seven Islands is the port on the St. Lawrence and Ungava Bay is at this point. The railway is shown here on the map; the line of the railway is set out and it runs from Seven Islands to Schefferville which is 375 miles; 138 miles roughly from the river to the southern boundary of Labrador and then for a distance of 212 miles across Labrador and back into Quebec at Schefferville which is approximately 25 miles beyond; there is approximately 300 miles from Schefferville to Ungava Bay, and at the present time there is no requirement for transportation in that area.

Mr. Durrell can give hon. members any information they may wish on that area. There is prospecting going on but nothing in the nature of iron ore deposits and finds which require transportation at the present time.

The purpose of this bill is simply to extend the time within which the railway must be constructed for a further period of ten years. The railway has to date cost \$123 million, and the people who are operating the venture have at the present time a capital outlay at the end of December of about \$255 million. The railway is operating. This last year it has hauled roughly eight and a half million tons and it is expected that next year it will haul approximately twelve million tons, so it is really a going proposition.

If there is any need for projection of the road beyond the point where it is, and should the traffic there warrant it, the need will be met. It is suggested that a ten-year period is not too extensive because the line has to be surveyed, arrangements made with contractors and so on, and it will take some little time after it becomes evident that a railroad might be required.

I do not know that there is much more I can say. This is strictly a private enterprise proposition. There have been no subsidies of any kind whatsoever given to the railroad. It had even to buy the right-of-way both in Quebec and in Newfoundland. It was not given the right-of-way free of charge as has been not infrequently the case. I would suggest that the request is fair and proper and that it be favourably considered. Mr. Durrell is here and if hon. members would like any further information he is thoroughly familiar with the entire area and development.

By Mr. Cavers:

Q. Mr. Chairman, after the track has been laid, during what period of the year will it be possible to operate the railway from Schefferville to Ungava Bay?—A. That Mr. Durrell will be able to tell you. Ungava Bay, I understand, would be open three or four months of the year. Mr. Durrell will be pleased to give you that information.

By Mr. Green:

Q. Mr. Chairman, I would like to ask Mr. O'Donnell a question. There was a dispatch in yesterday's *Gazette*, Mr. O'Donnell, to the effect that Lake Shore Mines would be the directing force in a major exploration program in the Ungava area over a very substantial area. This project will cover such a wide field that it is intended to invite several other mining companies to participate in the exploration program. Is this company concerned in any of this program?

Mr. W. H. Durrell (Vice-president and general manager, Iron Ore Company of Canada):

No, sir. Part of the assets have been acquired by the Little Long Lake Gold Mines who had extensive holdings in the region and I believe they intend to have Lake Shore participate in their holdings. I think they will do some diamond drilling and we have high hopes they might find something worth while.

By Mr. McCullough:

Q. Did I understand Mr. O'Donnell to say that the total expenditure by the company has been \$255 million? Did he tell the committee what portion of that has been cost to the railway and what proportion cost to the mining company?—A. The railway's cost was \$123,353,000 and the balance is the loading docks at Seven Islands and the mining equipment and operations at the Schefferville area.

Q. You stated the expenditure and that no subsidy has been given to this company. Could you tell the committee what royalties, if any, have been paid the province of Quebec?—A. The royalties are payable to the province of Quebec and the province of Newfoundland. You will appreciate that, while this map shows a boundary, there is some question in this part of Canada as to where that boundary is and the mines as a matter of fact do, I think, straddle the boundary. The royalties are payable depending on whether the ore is taken from Quebec or Newfoundland and are payable to one of the provinces. That is a matter I think to be determined. Royalties are payable to both provinces and taxes are payable to the federal authorities, and there will be substantial taxes, I understand, in respect of 1956.

Q. Then, is the royalty on the ore basis or on an income basis; how is it calculated?—A. The royalties are worked out differently in both provinces. Mr. Durrell can give you full detail on that.

By Mr. Johnston (Bow River):

Q. How much is the royalty?—A. I would ask that you direct that question to Mr. Durrell. It is a matter of public record and entered into between the Iron Ore Company and the province of Newfoundland and the province of Quebec.

By Mr. McCullough:

Q. Due to the fact that you are asking for an extension of ten years, would you tell the committee what would be the approximate cost of the completed railway?—A. I cannot tell you that. To date the 355 miles have cost \$123,000,000-odd. It depends upon what type of construction work there is on the railway from Seven Islands to Schefferville which is as difficult railway construction as has been experienced anywhere in Canada. The railway there is one which presented problems that were not outmatched even in the Rocky Mountains. Mr. Durrell can tell you all about the details of building that railway.

Q. Another witness, then, will tell us the terrain up there and perhaps tell us about additional difficulties.

By Mr. McIvor:

Q. There is no cost to the dominion government?—A. No.

Q. That is good.—A. In fact they paid Quebec and Newfoundland for the right-of-way.

By Mr. Langlois (Gaspé):

Q. How much property for the right-of-way has been bought in Newfoundland and in Quebec?—A. I have no figure.

Q. Could Mr. Durrell answer that?—A. Yes.

By Mr. Hahn:

Q. How many types of mining are carried out at Schefferville?—A. The only mining to date is the iron ore mining.

By Mr. Follwell:

Q. Are there any restrictions on traffic? Will this railway carry only company traffic?—A. This railway is a railway under the Railway Act and comes under the jurisdiction of the Board of Transport Commissioners. It has to provide carriage for whatever the traffic offers. It is a public railway.

Mr. CAVERS: Probably Mr. Durrell could explain some of the questions.

Mr. W. H. Durrell, Vice-president and General Manager, Iron Ore Company of Canada, called.

The WITNESS: Mr. Chairman and gentlemen, I will be glad to answer any questions the committee asks.

By Mr. McCullough:

Q. I would like to ask the gentleman a question in respect to the franchise which your company holds in that area. Is it a monopoly franchise or is it possible for small prospectors to go in and stake claims?—A. No, it is not a monopoly. We had a concession in Quebec and one in Labrador covering a certain territory. Eventually in Quebec it will be 300 square miles and in Newfoundland 1,000 square miles. The rest of the country adjacent to our concessions is open to the small prospector.

By Mr. Hamilton (York West):

Q. Up to the present point I assume that the railway has been built in an area which will serve the mine which your company is working.—A. Yes, and other companies. There are other companies in the vicinity of Lake Wabush and we expect that in a year or two we will be hauling ore for those companies.

Q. Are they in existence?—A. In the exploration stage.

Q. They are not producing?—A. Not yet, no.

Q. In connection with giving this authority to you, is your company prepared to go ahead and build this even if another group of companies are involved in the work north of where you are now?—A. Our interest, in terms of ground ore, is very small. If there is sufficient development to justify the extension of the railway we want to build it.

Q. Would there be sufficient justification for your company to have built what it has now if it were not in the mining business itself in that area?—A. Without the large bodies of iron ore we have developed or discovered at Knob Lake it would not have been feasible, but with the tonnage there it is definitely justifiable, and even this year at the rate we have established to haul ore we will be paying substantial taxes in the first year of operation.

Q. What you are saying is that the railway is a profitable venture from the transportation standpoint only and it does not have to be tied up with the mine.—A. At the present time but for our mining venture it would not have been practicable.

Q. If some other customer at a point further on developed, the railway could be built and operated at a profit?—A. We would expect it would.

Q. Is it being operated at a profit now distinct from your mining operations?—A. No. There is no other traffic but the iron ore and the few other exploration companies. No, it could not, obviously.

Q. Accountingwise, what I would like to know it, is the railway as a separate entity making money as distinct from your mining operations?—A. Definitely, yes.

Q. You say the railway then could be extended and make money looking after somebody else's mining interests?—A. Yes, if there was sufficient tonnage.

By Mr. Hodgson:

Q. Who set up the freight rate of the railway?—A. We established the freight rate and had it approved by the Board of Transport Commissioners.

Q. If some other mining company wants to start they can use the railway?—A. We have quoted rates to other companies in the Lake Wabush area and if they are not satisfied with those rates they will take them to the Board of Transport Commissioners. There is one rate for everybody.

Q. Who sets the rate?—A. The railway establishes the rates with the approval of the Board of Transport Commissioners.

Q. They have the power to set the rates?—A. There is one rate for everybody.

Q. Who sets the rates?—A. The railway establishes the rates with the approval of the Board of Transport Commissioners.

Q. Suppose another mine wants to operate in there?—A. We come under the Railway Act.

Q. But suppose some other company wants to open up a mine in there and we are asked to give them a charter?—A. We come under the Railway Act and we are subject to all the regulations under that act just the same as the Canadian National Railways, the Canadian Pacific Railway or any other railway.

Q. You could make the railway show a profit at the expense of the mine, or you could make the mine show a profit at the expense of the railway, could you not?—A. No, we cannot do that.

By Mr. Cavers:

Q. If you decide to establish this line, that is, to push through to Ungava bay, during what periods of the year will the railway be able to operate?—

A. We are operating now to Knob Lake. In the winter there is very little traffic. We cannot haul iron ore in the winter because that freight is not in transit. We run two trains a week. There is less snow between Knob Lake and Ungava bay than there is between Knob Lake and Seven Islands.

Q. Do you think it would be economically feasible to operate a line from Schefferville on during the whole of the year?—A. Yes. From the standpoint of snow conditions there would not be any great problem.

By Mr. Purdy:

Q. With respect to the terminal facilities at Seven Islands, does your company own them?—A. The terminal facilities at Seven Islands are owned by the Iron Ore Company of Canada and not by the railway. The terminal company has an outlet to the government dock.

Q. Are the piers owned by the Iron Ore Company?—A. The loading docks are part of the mining company's property because we have to have grading prepared at the terminals to make the grade for our customers. So the terminals at the loading docks are owned by the Iron Ore Company and not by the railway.

Q. But the federal government built part of those piers?—A. The federal government did not build anything for us, that is, for the Quebec North Shore and Labrador Railway Company, or for the Iron Ore Company. They did build a small dock for the use of the community. However the Iron Ore Company of Canada built its own docks. We have sixteen hundred feet of dock in place. But the small dock which was built by the government was for the benefit of the community and not for the company. We have our own dock.

Some small boat may bring in supplies for a customer which are consigned to Schefferville. There is a wharfage toll for that tonnage, and they would pay whatever the going charge is.

Q. Do you pay harbour dues?—A. No, because we are the only people who spend any money at the Seven Islands port. There is this little dock there. The Iron Ore Company paid for the dredging and for everything concerned with its development.

Q. There are no harbour dues charged to you?—A. No harbour dues.

By Mr. Hosking:

Q. What would be the position of a mining company that was ready to develop a property north of your property if you had the right to build the railway up there? Would they be permitted to put in an extension in order to develop their own property and you would not?—A. You mean in extension from our main line to their property?

Q. Yes.—A. Yes. Such a right was granted to Lake Wabush. On this map here this is Lake Wabush, and there is a very substantial tonnage of concentrate there, at this point not owned by our company.

If the government granted a charter to them, it would be a branch line to our railway but not a part of our system. Whenever they present a car to our railway, we would haul it up there to Seven Islands and they would have the right to build their own branch line.

Q. Suppose that half way up to Ungava bay there was a property which some other company wished to develop, but which, it might be, your company would not wish to have developed. What would the position be then with respect to their joining up and using your railway? Would this charter prevent them from building a spur in the direction of Ungava bay?—A. They could apply for a charter, I imagine. But that is a legal question and I am afraid I could not answer it.

By Mr. Green:

Q. Your company built this railway in order to get out your own iron ore deposits in the vicinity of Schefferville?—A. That is right.

Q. That is the real and only reason that you constructed the railway?—A. We had sufficient tonnage to justify the building of the railway.

Q. Have you any rights north of Schefferville towards Ungava bay?—A. Yes. Our company and our subsidiaries are doing a lot of work in that region. When you say "rights", you mean ground?

Q. Yes.—A. We have a subsidiary company called "Orlando" mines which spent several million dollars in the last few years to justify the extension of the railway.

Q. Would you please point out on the map where you have these deposits and rights north of Schefferville?—A. On this ground we staked the same as any other prospector. But at this point, Fort McKenzie, we have a small copper showing, which is not possible to work without transportation, and it does not have sufficient tonnage as yet to justify an extension.

Between Leaf Bay and the coastal area we have considerable holdings, and we are doing a lot of drilling; but we would hardly call it ore today. It would be if it were just outside Montreal; but we need large tonnage to justify an extension to the railway.

Q. Are these iron ore deposits?—A. No, base metal deposits, copper and nickel.

Q. What other companies or groups have rights, or are working in that area between Schefferville and Ungava Bay?—A. I could not name them all, but there are a number, such as Long lake gold mines which is in the same general vicinity. They are about here on the map at this point, south of the Koksoak river, and Fentimore iron is in there. They will be doing considerable work with their base metal concessions. The Labrador trough is about 50 miles west, and in this 35 miles of the western section is where they find iron. Due east of this brown area, there is a belt about 15 miles in width.

Q. That little strip from Schefferville to Ungava bay is a very promising area?—A. Yes, it is very promising. I can show you this map which deals with geology. You will note on this map that there is an area that they claim to be favourable to base metals. Brown shows the iron formations. We would not say that they are mines but there is a possibility that they might develop. There is one deposit near Fort McKenzie and another one here, and quite a few have excellent surface showings between the coastal area and Ungava bay.

Q. They are all in the base metal zone as distinct from iron ore?—A. Yes, the iron ore zone is brown.

Q. If there is all this interest being taken in this area now, from Schefferville to Ungava bay, do you not think that development is likely to be very rapid.—A. We hope so, and with the extension of our railway to Schefferville it is much cheaper to operate north. You can fly from Schefferville much cheaper than you can from the Lake St. John region. In the past that has been a reason for the high cost of preliminary exploration.

Q. Mr. Durrell, we have been reading in the papers frequently about the possibility of a huge smelter being construction in Labrador in order to smelt ores of different kinds. Where would it be located? In what general area would it be located?—A. What you have read may have had to do with remarks concerning our company, but we are doing considerable research work having to do with electrical reduction of some of our ores which require concentration. But that is still in the research stage. It is promising and if it does take place, it would help to develop the Lake Wabush region where our company also owns large deposits.

Q. In that Lake Wabush area, are there deposits of base metals or iron ore?—A. Iron. When we talk about base metal reduction, we are talking about the lower grades of iron ore.

Q. Will you please go on and explain about the smelter?—A. If it is constructed, it could be near Lake Wabush or at Schefferville. We do not know because we are not far enough advanced.

Q. What about Ungava bay? My understanding is that there was some suggestion that there could be sufficient power developed at Ungava bay to warrant the establishment of an aluminum plant?—A. At Ungava bay? I have not heard that, sir. There is at Grand Falls in Newfoundland a potential of 4 million horse power but we have heard only rumours, as far as I am concerned, of a possibility that they might establish an aluminum industry in the vicinity of Seven Islands and bring the power by transmission into that area. I have read about the possibility.

Q. How far is your railway from the potential power site?—A. About 90 miles. It is not within highway construction; and if they decide to establish an aluminum plant at that site, it hardly seems possible that they would build a highway from our railroad to Grand Falls.

Q. Does your company have any associated companies which are interested in the development of power? I say that because under your charter section 11 states that subject to the provision of section 368 of the railway act, the company shall have the power to generate and acquire power.—A. Yes, in Newfoundland we have to develop power for our own requirements.

Q. Under this charter you would have the right to develop power on a very substantial scale?—A. Yes, but you have to take that up and acquire the right from the province. Therefore while the charter, as I understand it, would give us that right, it would still mean negotiations with the province in reference to acquiring that right.

Q. Does your company have in mind any installation giving large power production of the type that would be required by a smelter or refinery?—A. Not the railway company.

Q. Or any associated companies?—A. No. Unless we develop it for our own use and quickly, the rights that have been given to the company—for example, the British Investment Corporation have the right to develop that power in Newfoundland, and unless we acquired the right to develop our power before they did, to develop our power for our own requirements, then we would have no right.

Q. Who are the directors of this railway company, and what is the tie-up between it and the Iron Ore company?—A. I have not got a list of the directors of the railway company with me. Jules Timmins is president. I am vice-president. J. I. Rankin is a vice-president. Mr. Alphonse Raymond is a director, and there are one or two others. They are all Canadians, I believe, with one exception.

Q. Who is the exception, and who does he represent?—A. He represents the H. A. Hanna company.

Q. Of Cleveland?—A. Of Cleveland, yes.

Q. And who are the shareholders of the railway company?—A. The Iron Ore company of Canada. The railway company is a subsidiary. The principal Canadian shareholders are the Labrador Mining and Exploration company, and the Mining and Consolidated Gold Mines.

Q. What about the American shareholders?—A. The shareholders in the Iron Ore company are composed of about five steel men, including the Ranger and Labrador mines.

Q. The American companies own the majority of the shares in the railway company?—A. The Iron Ore company does, but I am not sure of the exact split.

Q. Could you find that out for us?—A. That could be readily obtained, yes. Certainly there would be no difficulty at all.

Q. And what about the Iron Ore company? Were you going to give us the names of the shareholders?—A. It has all been published many times, so we could get it.

Q. You could produce it?—A. Oh yes.

Q. Mr. Durrell, you are asking for a ten year extension of the power to build this railway from Schefferville to Ungava bay. Have you any intention to start with the work in the near future?—A. If anything justifies it; if someone finds mines of sufficient size, we could start right away.

Q. What objection have you to making the time limit five years instead of ten? I ask you that question because a ten year extension would mean that you could sit and do nothing for ten years when in fact nobody else could get in there.—A. Anyone else could apply for a charter.

Q. What would be the sense of somebody else applying for a charter to build north of Schefferville when you already have the right to build that line?—A. The reason we would like to have an extension is that the terrain is very difficult. For about 50 miles north from Schefferville the

terrain is difficult. That is in the vicinity of Fort McKenzie. It would take at least three years even to complete the surveys.

We built our railway from Seven Islands north in four years by means of using air transportation at a high cost, because we had the tonnage there and we were asked by the two governments to make it available as soon as possible. But the base metal tonnage is much smaller than the iron ore, and the cost would be too great. But that would not be the case if the railway were built north in an orderly way and not in a terrific rush.

Q. If you had an extension for ten years, from 1957, not from 1956, really for eleven years, then you would not necessarily have to do anything whatever about seeing to that railway for eleven years; yet your right would exist. Isn't that correct?—A. That could be right if there was no traffic.

Q. Have you any particular objection to getting an extension of five years instead of ten years?—A. Having in mind the length of time required to make surveys, five years is not enough.

Q. Five years in that country which is developing very rapidly, and in which there are other groups interested, might not be a very long time?—A. The public is only now becoming interested and we do not know to what extent they are going to work. We hope they will make a real effort but we do not know.

By Mr. Langlois:

Q. I wonder if the witness might not answer a question which was put to Mr. O'Donnell regarding payments made by both Quebec and Newfoundland, and whether or not they are on a mileage basis and so on.—A. The right-of-way was on the basis of the actual cost, you mean?

Q. Yes.—A. \$5.00 per acre.

Q. With some payments by both provinces?—A. I think so. I would not say for sure; but I do not believe I would be too far wrong.

Q. Mr. O'Donnell said that Mr. Durrell would answer a question about the rates being paid to both the governments. What are those rates?—A. In the province of Quebec we pay the rates which are set forth in their mining act; and in addition to that—in other words, we pay the same taxes that "Noranda" mines or any other mining company pays; and in addition to that tax we pay a rental of \$100,000 a year, which has no connection with the tonnage. It is just a rental. In addition to the standard mining taxes set forth in the Quebec mines act, which all other companies pay, we pay all those taxes and in addition \$100,000, which is something no other company pays.

Q. What about Newfoundland?—A. In Newfoundland we have an arrangement whereby we pay a percentage of the profits and also there is a small rental paid.

Q. What is this rental tax?—A. I have not the bill with me. It is in the bill which was published some years ago. We could get that information for you, but offhand I would only be guessing if I attempted to give it.

By Mr. Murphy (Lambton West):

Q. You have some concessions granted to you by both provinces?—A. That is right.

Q. Is that by reason of your exploration work?—Do you get anything from either province because you are going to build a railway and develop the area?—A. I believe the original concessions were granted in Labrador in 1936; in Quebec in 1941 or 1942; and at that time that was a remote area.

Q. How were they based?—A. How were they based you ask?

Q. Yes?—A. In terms of miles?

Q. Yes.—A. In Quebec and in Labrador, originally it was for 20,000 square miles; but we reduced that so much each year until, offhand, the company has selected 1,000 square miles.

In Quebec where it was originally around 3900 it will be reduced in three years from now. —

Q. Does the extension of this railway have anything to do with the concession?—A. Nothing at all.

Q. I wonder whether from your own knowledge or from the knowledge of your experts—supposing you were to start the railway extension—you could say how long it would take. Suppose, for example, you start next year.—A. It would take a minimum of four years unless of course we did something like we did on the other section, that is, flew in all our supplies at a fantastic cost.

Q. If you had an extension of five years from next year, that will give you six years will it not?—A. Yes, but we would require at least two or three years to make surveys before starting construction.

Q. You spoke about surveys you have made north of Schefferville—
—A. No, we have not made any surveys north of Schefferville.

Q. I think you mentioned a while ago that the first 100 miles or so would be easy.—A. Easy compared with the section immediately to the north, which is not as difficult as the middle section.

Q. How long would it take to do that first 100 miles?—A. The country is dotted with lakes and it is difficult to say. I would be guessing.

Q. Would it be any more difficult than the terrain you have already accomplished?—A. The first 100 miles north of Schefferville would be comparable to the distance 100 miles south. It is more difficult than anything we have so far accomplished in Canada apart from what was done in the Rockies. As I said the cost is very high. We have some sections which cost over a million dollars a mile. Those are north of Schefferville.

Q. I think our concern is this Mr. Durrell: in the event of some other groups obtaining permission they might be jeopardized by the long extension that will be granted to you by this parliament?—A. We would be in the same position as the Canadian National Railways and the Canadian Pacific Railway. If anyone has enough tonnage to justify it we would be only too pleased to get going right away.

Q. Suppose you were granted a five year extension together with the year ahead of us, which would give you six years, could you complete the project in that time?—A. No we could not. We would not be able to make our surveys and complete it.

By Mr. Langlois (Gaspé):

Q. Are you in a position to make an estimate of the probable cost per mile of the extension you are asking for?—A. From Seven Islands north it would cost almost \$400,000 a mile. I might add that we have a railway that is the most modern on this continent. We had to make it that way. The railway extension running north would be more like the Canadian National and the C.P.R. It would not be quite to the same standard. We have to haul this summer between 80,000 and 90,000 tons of ore a day, and that is a lot of tonnage; so we built a road there with that in mind. It is built, as I say, to a very high standard—more than would be required to haul a lesser tonnage than the tonnage we have in mind.

Q. What is the average cost of that part of the line between Seven Islands and Schefferville?—A. It is \$123 million for roughly 355 miles. It could have been built for half that amount if it had been built to a lesser standard.

Q. You say for half that amount?—A. Approximately. But we thought that over a period of years we would be justified in building the type of railroad that we have.

Q. So that was responsible for the higher cost?—A. That, and the fact we had to build it in such a short time. Construction of that railroad would normally have taken between 10 and 15 years. There was no means of getting into the country. You could not even get a road into it; it is a most rugged terrain with steep cliffs and narrow valleys. That is why we had to fly in almost everything that we needed in order to get the railroad built and the cost was tremendous.

Q. A while ago you mentioned docking facilities at Seven Islands. Are you not making use of the government-owned docks?—A. Hardly at all. We have 800 feet of loading docks for loading iron ore and 800 feet of additional dock used for general purposes. We are renting part of a shed for the handling of food stuff and so on.

Q. Incoming freight?—A. Yes. Just for very light stuff such as food stuff.

By Mr. Carrick:

Q. Have you in mind any estimate of the time likely to be needed for this construction?—A. My understanding is that it would take at least six years.

Q. Would you feel justified in commencing the construction of the railway right away? I understood you to say earlier that the date of beginning construction depended upon exploration to be carried out in the northern territory.—A. There is nothing at the moment to justify the construction of a railway. Surveys show areas which may be suitable for mining development, but so far, as I said, we know of nothing which would justify beginning construction.

Q. So in addition to the six years you think it would take to complete the project you would need to have a period of time in which to consider whether it would be justified to begin construction?—A. It would take at least three years to locate sufficient tonnage.

By Mr. Hamilton (York West):

Q. What did you have in mind when you got your original franchise? Was there some prospect you were going to need this development?—A. At the time the charter was acquired in 1947 we knew from evidence of surface deposits that there would be substantial tonnages of iron ore. The situation is entirely different in the case of base metals which usually require an underground mine for their extraction. Thus it takes much longer to develop and prove a base metal mine than an iron ore mine.

Q. What I mean is this: when you made your original application to this committee you must have known that you had a definite iron ore body but you were still prepared to ask for this franchise with a time limit to go through this area which, you now say, is not proven to the extent which would justify taking action. What has made you change your mind?—A. We have not changed our minds. We asked in 1947 for the right to build a railway. We built it to Knob Lake. The geology to the north is favourable and inasmuch as we own the railroad and have built it at terrific cost is it not reasonable that we should be the logical ones to extend the railway? It is available to everybody; we developed the country and I think we have made a very substantial contribution to Canada in building this railroad.

By Mr. Hosking:

Q. I understood you to say that if any other company wished to build another line there would be nothing to stop them.—A. There would be nothing to stop them.

Q. I suggest that it would be damaging to free enterprise if we were to cut these people back. They have gone ahead and developed this section of the country in a very large way. To step in now and say "five years" when it takes three years to carry out an adequate survey would in my opinion be most discouraging. To say now "we don't trust you; we are going to make you do this in a certain way and we are going to embarrass you by insisting on this" is in my opinion a terrible blow to free enterprise and would be discouraging to capital. If any other organization which is interested can build another line beside the present one I cannot see what the difficulty would be in meeting this proposal. When I raised my original question I saw the danger of a possible monopoly, but the witness told us straight out that anyone could build a line who wanted to build one. Surely we should not hamstring people such as the present applicants.

By Mr. Green:

Q. When you showed the committee the small map you showed us a stretch of base metal territory running to Ungava Bay and to the west of it a similar stretch of iron ore territory.—A. Yes, there is a possibility of finding enrichment in it. There has been a great deal of exploring done on the iron ore field apart from the low grade ore in the vicinity of Ungava bay.

Q. There are iron ore possibilities on the way north from Schefferville to Ungava bay?—A. I do not say somebody would not find an iron ore mine in between. The most central deposit of high grade ore which we have is about 50 miles northwest of Schefferville at a place called Eclipse.

Q. Whose is that?—A. It belongs to the iron ore company.

Q. Supposing another company were to find a big iron ore mine in that area? You say you would extend your line in order to get out this competitive iron ore?—A. Yes sir. We offered to operate the railroad into Wabush Lake, a property which may go into production before too long, but they preferred for various reasons—I believe so they could get some assistance from one of the provincial governments—to build their own branch line. But, as I say, we did offer to build a railroad to Wabush Lake. Our rates from Seven Islands to Schefferville for household commodities and so on are, I might add, the lowest in Canada. We are not out to exploit people. We have established rates for the transport of household goods and similar articles which are not rivalled by any in the Dominion of Canada.

Q. These are your own employees?—A. No, anybody else's. Those who are really "cashing in" are the mid-Canada line. They are taking advantage of the low rates.

Q. In your charter you have the right to make an agreement with other companies for sale, lease or amalgamation and also to purchase railroad shares and securities of other companies. Are any contracts of that kind in existence?—A. No; none at this time.

Q. You have not taken advantage of that section?—A. No.

By Mr. Langlois (Gaspé):

Q. Just a while ago you gave us the figures of your traffic from Schefferville to Seven Islands. Can you tell us what is your total traffic from Seven Islands to Schefferville?—A. You mean in terms of tonnage? In 1955 we hauled 8½ million tons of iron ore besides general supplies. I have not got

the figures for general supplies with me at the moment, but 8,527,000 tons of iron ore were moved. In 1956 if the weather is good and all goes well we hope to haul 12 million tons.

Q. You have no figures with regard to northbound freight from Seven Islands to Schefferville?—A. Not at the moment.

Q. What type of passenger service are you providing on this line?—A. We are running three trains a week in the summer. We bought good coaches last year, and our passenger rate is comparable to that of the other railways. I mentioned earlier that our freight rates for household commodities and similar articles is the lowest we could find in Canada, and that is without the advantage of the 20 per cent subsidy.

Q. What about the wages that are paid to your manpower? How do they compare with those paid by the C.P.R. and the C.N.R.?—A. Our wages are a little better for the simple reason that we cannot haul iron ore in the winter. We could, however, haul a concentrate, but the ore we are dealing with contains a considerable amount of water and thus our traffic is limited to six months of the year, though within that period it is very heavy. We pay almost as much in those six months as would normally be paid in twelve months.

Q. That means that although your operations are reduced in the winter months there would be no "lay-off"?—A. Not very much lay-off. We do have some. Movement from Montreal east in winter is heavy, and the two big railway companies have a surplus of manpower in the summer which we are able to use. It works out very well.

By Mr. Hosking:

Q. What is the size of cars used by your company?—A. Ninety long tons. They are very heavy cars.

Q. How many ore cars could you put on the train?—A. This year we are hauling an average of 130 cars per train. We will haul 16,000 train tons including the cars.

Q. How many miles an hour would you average on that run?—A. With loaded trains, about 30 miles an hour.

Q. I understand they are using diesel power?—A. Yes, exclusively. We have two steamers for hauling in the spring.

By Mr. Weselak:

Q. I understand you have the right to bring the railway from Schefferville to Ungava Bay. Does your original charter contain any provisions giving you exclusive right?—A. No.

Q. There will not be a further application?—A. No.

By Mr. Howe (Wellington-Huron):

Q. In 1947 when this charter was first given was any consideration given to asking our two railway companies to build this railway? Where they approached by the Iron Ore Company to build this railway?—A. That I cannot answer. I became a member of the company late in 1947. I was not an employee of the company when the original bill went through.

Mr. LANGLOIS (*Gaspé*): The answer is no.

By Mr. Howe (Wellington-Huron):

Q. A lot of our railway lines are not too profitable and this was a nice one to add to our Canadian National Railways system.—A. In 1947 when I came to the company we did not have enough ore in sight to justify the building of a railway. We spent \$10 million in exploration work before we found enough tonnage, and it was in 1949 that we had sufficient tonnage in sight to justify a railway.

By Mr. Langlois (Gaspé):

Q. I understand your company has made an extensive study of the possibilities of heating the cars in order to be able to haul this ore during the winter months.—A. We have been trying over 75 years on the Mesabi Range to do the same thing and no one has come up with an answer. We have not found a way and neither have the operators in the United States. If a carload of ore is completely frozen the cost of thawing that ore is more than the value of the ore in the car. When the ore is freezing you just have to cease operations.

Q. If your smelter is built we understand this will make possible winter shipments and increase your operations?—A. Definitely.

By Mr. Hamilton (York West):

Q. Could I go back to the question asked before Mr. Langlois started, in which you said that in 1947 you did not have any indication at that time as to what this area could produce. It was not until 1949 that \$10 million had been spent and you knew exactly where you were going. You still came here in 1947 and asked for the right to build this railway, not knowing exactly what you would be producing and you are in the same position today. Why do you need the ten years? You say to us that you do not know what is up there, but you were in that position when you came here in the first instance.—A. In 1947 we did not have sufficient tonnage; in 1949 with intensive drilling and an expenditure of about \$10 million we had sufficient. We are in exactly the same position. Now we know that our surveys show a possibility. There is no difference between our position now and our position in 1947; it is very similar.

Q. Is not two years sufficient for you to prove that out and another four years sufficient to get this road built?—A. No, sir. Proving base metal deposits could take considerably longer. Mostly our ore was surface deposits and it did not take too long to draw those. It took a little over two years, three years; we were three years proving tonnage. A lot of that ore had been found in 1936, so actually exploration work in connection with the Iron Ore Company deposits had been going on since 1936.

Q. Do we not have that same background—

Mr. McCULLOUGH (*Moose Mountain*): May I ask you, Mr. Chairman, to ask the members of the committee to stand up when they are asking questions? It is very difficult to hear and this conversation back and forth makes it impossible for us at the end of the room to hear.

Mr. LANGLOIS (*Gaspé*): Mr. Durrell, have you been requested by any of the companies holding mining rights north of Schefferville for this extension?

The WITNESS: No, sir. We have not.

By Mr. Follwell:

Q. Mr. Chairman, I would like to ask the witness a question. First of all we have not been able to hear anything down here. Would you mind asking the witness if we can repeat two or three questions? How many trains do you run at the present time per day or per week? You said something about doubling up in six months.—A. We haul ore in the summer only—in six months, usually from the middle of May until the middle of November. Our traffic is very heavy during those six months. In the winter months we run supply trains, two or three trains a week at the present time.

Q. Do you anticipate running ships from Ungava bay when you get complete development?—A. Not our company; no, sir. But if they develop large deposits of iron ore of commercial grade they will no doubt haul it from Ungava bay by ship.

Q. Did you tell the committee it had been indicated somewhere not seven miles from Knob Lake area there were some very substantial iron ore showings?—A. There is a deposit at Wabush lake which we understand might be developed and in which event we would have to haul the ore. It would be subject to the Board of Transport Commissioners regulation; they would have to approve it and they would assure it was at a fair rate. We are subject to all their regulations.

Q. That is very near the end of your line?—A. No. It is 40 miles west of Mile 224 on our line.

Q. Are there not some showings which have been proven up or are in the process of being proven up somewhere between Knob Lake and Seven Islands?—A. I read in the paper that Jones and Laughlin had optioned some ground. They have not done work yet, but will this summer. We are prepared to handle their tonnage if they bring it to us.

By Mr. Hahn:

Q. Is the harbour at Seven Islands operated by the company?—A. The ore loading facilities are operated by the Iron Ore Company of Canada, not by the railway.

Q. Has there been any dredging done in that area?—A. Yes, by the Iron Ore Company of Canada, and we have 37 feet of water at low tide. We did considerable dredging of it.

Q. At low tide 37 feet?—A. Yes. The new ore carriers will carry up to 45,000 or 50,000 tons of ore, so it requires a very substantial dock.

Q. Does the harbour itself fill in at all?—A. In some sections, not where we located our docks. We are reasonably free from silting conditions.

Q. You are not doing any dredging on a regular basis?—A. Not yet. We may have to later.

Q. The Iron Ore Company paid for the dredging?—A. Yes, every cent of it.

Q. The employees on the railway are union employees?—A. Yes.

Q. And you say the rate of wages they receive is higher than the C.N.R.?—A. I would say they are a bit higher. Their take home pay is higher. It is paid on a mileage rate. It is on both hourly and mileage rate and looking at the payrolls our manager on the railway has informed me their take home pay is somewhat greater than they would receive on the other railways.

Mr. LANGLOIS (*Gaspé*): Do they have the 40-hour week.

The WITNESS: No.

By Mr. Hahn:

Q. How many employees do you have?—A. In the summer months we have about 1,200.

Q. What does it cost per mile to operate railway as it is now operated?—A. That is a question which is a little hard to answer. Certain sections of it are different from some of the others. It is a new railway and our maintenance for the next five years will be greater than when the road bed is stabilized.

Q. It is a diesel-operated railway?—A. Yes.

Q. How long do you expect your rolling stock will last?—A. The ore cars are the best design we know of and will last for 20 or 30 years I think.

Q. And how frequently do you intend to replace your locomotives?—A. That depends entirely on the maintenance program. They will last probably for 25 years; that is a guess.

Q. The reason I asked this question is, as gentlemen of the committee are aware, that we have had considerable difficulty with replacing of diesels

on our C.N.R. lines, and the dieselization turnover. I think we should be able to compare our railway line with what you have and arrive at a basis as to why you can operate cheaper or give lower rates, as you apparently do?—A. No. We just do on certain items.

Q. Could you give us the rate on iron ore?—A. \$3 a ton from Schefferville area to Seven Islands. It is 355 miles to Schefferville. The average haul of ore would be about 310 miles.

Q. Are there no stations along the route where you stop your trains?—A. Yes, at the divisional point at Moisie, Mile 186. There are other sidings, but that is the only divisional point. When you look at the C.N.R. and the C.P.R. it is not a fair comparison. We just operate on a large scale six months of the year and have plenty of time to overhaul during the winter months. If we were using our locomotives twelve months in the year as the other railways are, the requirements would be entirely different.

Q. Do you have your own maintenance shops?—A. Yes, very extensive shops.

Q. You do all your own work?—A. Yes.

Q. Your equipment is bought from the United States or from Britain?—A. It is bought in Canada. Our locomotives come from London, Ontario. Canada Car have built most of our ore cars. We bought a few cars in the beginning in the United States when steel was not available here. We were instructed to purchase it there. They did come from the United States on instructions from the government owing to the shortage of plate at that time. That was away back in the beginning. Since then we have been buying almost 100 per cent Canadian, and in the \$255 million I do not think probably more than 5 per cent went out of the country.

Q. How much tonnage would you expect a mining firm other than your own to show you before you would be willing to extend your railway into an area? Let us say indications were that about half way up there was another mining area which looked very equitable?—A. They have substantial tonnage there and we offered to bring a branch into the mines, but the mines preferred to build their own branch. I do not know what tonnage they have. They are talking eventually of shipping about three million tons a year from that area, Lake Wabush.

Q. Your charter calls for the acceptance of any ore from any other mine that might load, to your own?—A. Yes. Under the railway act as a common carrier we are in exactly the same position as the C.N.R. or the C.P.R.

Q. They need only to prove to the satisfaction of the Board of Transport Commissioners that there is a need for the extension of your line and you would have to build it into that area?—A. If it were economical we would have to haul whatever they bring.

By Mr. Murphy (Lambton West):

Q. You mentioned a rate for the 355 miles of \$3 a ton?—A. For iron ore.

Q. For iron ore. How does that check with other railway companies for the same distance?—A. I would say it was just about the same. It is, roughly, one cent per ton mile. The average rate from Knob Lake to Seven Islands is about .8; and the Canadian National rates from Atikokan to Steep Rock, or rather to Port Arthur, is about the same, but it is a more difficult haul. For the first 150 miles we have no adverse grades but we do drop down a hill for 1,900 feet for about 100 miles and so it is a more difficult haul than it is from Steep Rock to Port Arthur, where the rate is approximately the same.

Q. You operate for six months?—A. That is right.

Q. Your railroad is making money?—A. At that rate we shall be, and we expect that by the end of this year, allowing for some depreciation, which we are allowed, we shall be paying taxes.

Q. On railway operation?—A. Yes.

By Mr. Langlois:

Q. Referring to the construction of new ore carriers a while ago, are those ore carriers being built by your company?—A. Not by the Iron Ore Company of Canada, but by partners of that company.

Q. Where are they being built?—A. In the United Kingdom. Two have just recently been launched with 31,000 long ton capacity, and they will be in service next year. There are more being built at the present time by other partners; that is not the Iron Ore company.

Q. Can you tell the committee if those ships are designed to carry grain and wheat on east-bound voyages?—A. They would be very satisfactory for that purpose.

By Mr. Holowach:

Q. What possibility is there of your not building this mine?—A. We are about where we were in 1947. With favourable geology we have every hope that enough will be found in the north to justify the extension, but it is in the lap of the gods. You have to find it out.

Q. Do you feel that it will take approximately ten years to discover whether it will be economically feasible to build that line?—A. I do not think it should take ten years; it depends on how many companies are working, and the extent and the rate at which they work. For instance, my dad worked in Chibougamau in 1905, and it took them 50 years to build the railway.

Q. Are you aware that there are other companies who are interested in the completion of this line?—A. I do not know of any.

Q. How do you intend to finance your line? Can you tell us?—A. We financed this line ourselves. We did not go to anybody for assistance. Out of the \$255 million we have spent for capital expenditure, we borrowed \$145 million from insurance companies. I regret to say that Canadian insurance companies were offered the first "crack" at it but unfortunately we only had four who would participate. They felt that the development of the north country was not properly justified so the bulk of our money came from American insurance companies. Canadian companies were offered the first chance. That was a blow to me. I am a Canadian.

Q. Do you feel that this extension will experience the same problem?—A. I do not know. It may be that we could get money in Canada now.

Q. With respect to the metals hauled on your lines at the present time, is that metal processed in Canada or elsewhere?—A. In Canada, in the United Kingdom, in continental Europe and in the United States. We are selling to three Canadian steel companies. We are selling ore in the United Kingdom, and we are selling ore on the continent and in the United States.

By Mr. Hosking:

Q. Could you tell us something of the troubles you have had about buying rails, procuring your rails to go in there?—A. We did have fairly good co-operation. I would say that 90 per cent of our rails came from Sydney, and the other 10 per cent from the Sault. At the time we were buying rails everybody wanted rails and we had a lot of headaches in procuring equipment that we required to do this job.

Q. It was just before the Korean affair?—A. Yes. We were authorized to commence construction at the end of 1950 and we began in earnest in 1951, when all materials were in tight supply and there was a terrific bottle-neck.

By Mr. Murphy (Lambton West):

Q. To what extent did the Canadian insurance companies participate?—A. \$2 million.

Q. Out of how much?—A. Out of \$145 million.

By Mr. McCullough (Moose Mountain):

Q. You are asking for a ten year extension. Does that require any minimum expenditure, or does it just give you a complete blank franchise?—A. I do not think it requires any minimum expenditure.

Q. I understand that at least for accounting purposes the Quebec North Shore and Labrador Railway Company and your Iron Ore Company have separate accounting practices?—A. Definitely.

Q. Would you be prepared to give to the committee the annual investment or cost of each of these from 1947 to date, showing the expenditure as well as the income from the investment?—A. The information is available, if the committee requests it. We could make it available.

Q. I would like to have it.

By Mr. Green:

Q. A few moments ago you mentioned the countries to which you were selling iron ore. Have you got the percentages?—A. I have not got them with me. I am sorry, but I could give you a rough idea. This year, in 1956, we shall be sending approximately, two million tons to Europe. I think most of it will go to the United Kingdom. Probably we shall sell between one million and two million tons in Canada, while the other tonnage which we sell will go to the United States.

Q. What is your total production for this year?—A. For 1956, 12 million tons. We hope to establish 12 million. But that is problematical. It depends upon many other factors.

Q. Out of 12 million tons, between eight million and nine million will go to the United States?—A. Yes. We also import quite a bit of ore from the United States into Canada. At present the Steel Company of Canada has an interest in a mine in the United States and they get a lot from there.

By Mr. Hamilton (York West):

Q. Can you give us the total Canadian consumption?—A. The Canadian consumption last year was just under five million tons. Dosco has its own mine, but they buy other ores with which to "sweeten" their own ore.

Algoma buy Michigan ores. The Steel Company of Canada has an interest in a mine in the United States, and it is developing a mine up the Ottawa river. We are selling all the ore we can produce.

By Mr. Green:

Q. Is the ore which you sell smelted by your company in any way?—A. The ore we sell is just raw ore.

Q. You are merchants of raw iron ore?—A. That is right.

The CHAIRMAN: Carried. Are there any further questions?

Mr. GREEN: Will you call the first clause now?

The CHAIRMAN: Shall the preamble carry?

Carried.

Clause 1—"Extension of time for completion of line."

Mr. GREEN: On clause 1, Mr. Chairman, I would like to move an amendment in line 9, to substitute the word "five" for "ten". The result of that would be that the extended time within which this company could complete the extension to Ungava bay would be five years from the 14th May 1957 instead of ten years. In other words, they would have until the 14th May 1962.

In support of this amendment I point out the nature of this railway changes from Schefferville to the north. The company built this line from Seven Islands to Schefferville for the purpose of getting out this company's own

ore, the parent company's own iron ore. But once it goes beyond Schefferville then the company has no specific interest, and the line will then become a railway for the use of other Canadians who are interested in that particular area. There is quite a different background, then, for the construction from Seven Islands to Schefferville.

I would point out also that the area is developing rapidly. Mr. Durrell admitted that himself. We all know it and it is common knowledge. Many other people are taking an interest in getting into this area north of Schefferville.

Then Mr. Durrell also pointed out that there are iron bearing formations all the way up from Schefferville to Ungava bay. It may very well be that there will be just as large mines north of Schefferville as there are at the present time in the vicinity of Schefferville itself. So I suggest to the committee that this company, which, after all, is only a subsidiary of American Steel companies should not have a strangle hold on this country north of Schefferville going to Ungava bay.

It is all right to give this company a concession, but there is no rhyme or reason why this company should have a strangle hold on the country in question for ten years. They can sit down and do absolutely nothing for ten years, and in fact nobody else can move into that area.

Mr. CARRICK: That is not true. Why not?

Mr. GREEN: You may make your own argument. It would be foolish for any other company today, with this company having a charter for a period of ten years. They would suffer no harm whatever if given an extension for only five years. Then they would be able to come back to parliament at the end of that time, and if they are people who at that time are considered eligible to build the railway, or have taken any steps to indicate that they intend to build the railway then parliament will, without any question, give them a further extension.

That should be the case in a very important and rapidly developing area of this kind. We cannot be too careful about handing out a ten year concession to a private company, and particularly to a private company controlled by huge American steel interests.

Make no mistake about it. If this is done, then control will go right down to Cleveland. The decision is not going to be made in Canada by Canadians. The decision is going to be made in Cleveland by Americans.

I suggest that this committee should be a little careful in recommending to the house that this company get an extension of ten years at this time. Let them have an extension for five years and at the end of that time let them come back here to parliament. Therefore I move my amendment seconded by Mr. Murphy (*Lambton West*).

Mr. BARNETT: I wonder if the member who moved the amendment would be willing to go a little further. I can understand the purpose of this amendment, that the bill should then read that the company was to commence construction of this railway within a period of five years. But as I understand it the amendment was simply to specify that the company must complete the railway within five years from the date of the bill; and that would suggest to me that the proposal is tantamount to saying that if this bill is to have any meaning or effect whatever, what we should be saying to the company is that they must commence immediate construction or survey of this railway.

Otherwise, at least as I understand the evidence that was given by the witness for the railway company—otherwise it would be a physical impossibility to complete the railway within the time in which it is supposed to, within this bill.

I would like to know whether or not my friend considers that his amendment is made on the basis of the evidence, and if he is suggesting in fact that the company must immediately commence the extension of that railway northward from Schefferville to Ungava bay.

Mr. GREEN: Well, the original charter provides that the company must within five years from the passing of this act commence to work on the line of the railway and must within ten years after the passing of that act complete the said line. They have already complied with the first part of that provision by actually commencing construction. We are asked to make an amendment simply to extend the time allowed from ten years to twenty years. My amendment would have the effect that they would have to complete the line by 1962.

An Hon. MEMBER: And commenced right away.

Mr. HAMILTON (York West): I do not think there is anything in this amendment which indicates that the line must be commenced this year and I do not think there was anything in the evidence which we have heard to suggest it must be.

An Hon. MEMBER: Yes, there was.

Mr. HAMILTON (York West): There was an indication that it might take a couple of years to prove out that there is a sufficient body of ore to warrant construction of a line north. This whole plan was quite satisfactory to this company back in 1947 and they did not have anything proven in this area at that time. They were satisfied when they came before this committee at that time to start construction within five years and complete it within ten years. If they were satisfied at that time it would surely be making a considerable concession to grant a further five year extension now and I do not think it is any disability so far as the company is concerned for them to come here, let us say in five years' time, and indicate whether they feel there is sufficient reason for them to go ahead and ask for a further extension.

If there is anything I don't like it is public monopolies. I like private monopolies little more—or less, if that is the correct English—and if we take one step further here, then we are going to establish monopoly control completely outside this country in a matter affecting the natural resources of this country. The mover of the resolution has intimated that this is what is at stake here; it is handing over control of Canadian national resources to Cleveland. We have seen enough of that kind of thing done in Canada for the last 15 years and it is time we called a halt. We should try to turn the clock back and secure control of our own resources and see if we ourselves can make a major contribution to mining and processing. Five years will give this company adequate time for them to make a decision in connection with what it proposes to do. I do not think the statement made by Mr. Hahn was properly answered. He said: "does that mean that if there is something proven out there you people must go ahead and get the stuff out?" They have no such responsibility. If you bring the iron ore to them and place it on their doorstep, then under the Railway Act they must carry it, but they do not have to go out and seek freight. If it is suggested than anybody can go out and build a line of this kind, I say we must consider how this would work out in practice. Here we have an organization which, for all practical purposes, has had an exclusive concession in this area. If somebody else should seek to come into it they would certainly be told: "there is already in existence a company which is developing the area."

Mr. BYRNE: The hon. member who has just spoken states that he has an aversion to monopolies. I have an aversion to inconsistency. The evidence, as given in answers to questions by Mr. Green, has shown that there is

no potential market at the present time for iron ore concentrate in Canada. The steel companies now operating within Canada have their own iron ore deposits. Now the Conservative party policy—the policy that they seem to intend to develop in the future—is that Canadian products should be used entirely within Canada. . . .

Mr. GREEN: Mr. Chairman. . . .

Mr. LANGLOIS (*Gaspé*): Let him make his speech.

Mr. CARRICK: You want a monologue as well as a monopoly.

Mr. GREEN: If the hon. member for Kootenay East (Mr. Byrne) is going to discuss Conservative policy I would like to know whether that is in order here because in that case I would want to take some part in the discussion. The hon. member has misrepresented Conservative policy by saying we do not want any of our natural resources to be exported. I think he should be ruled out of order for entering on a discussion of that kind. Either that, or we should all be ruled as being in order if we proceed with it.

Mr. BYRNE: Mr. Hamilton has already this morning entered upon the question of policy—whether this should be a Canadian monopoly or otherwise. In any event it has been shown that there is no immediate market for ore in Canada. I think it is also true, and should be brought out in this committee, that should there be a market in the near future the company here concerned could supply a measurable amount of concentrate to Canadian companies.

Mr. Green is so insistent that a line should be built to Ungava bay immediately. . . .

Mr. GREEN: I did not say that.

Mr. BYRNE: . . . or within five years in order, one may presume, that more iron concentrate may be produced. The inevitable result would be that if ore concentrate were produced it must be shipped and that it would consequently be shipped to a foreign market.

For my part I think this company has done an admirable job in developing the northern part of Quebec up to the present time, and I have sufficient faith in free enterprise to feel that if they were convinced that it was economical at the present time to continue the line to Ungava Bay they would do so. They have invested their money without recourse to subsidies from either government and I think we should take kindly to this request that the line should be completed after the ten year period.

Mr. LANGLOIS: I do not agree with the suggestion made by the mover of this amendment and by Mr. Hamilton that by accepting the amendment we would be giving a delay of five years to the company in which to make up its mind. This amendment is apparently based on a misunderstanding of the bill because—if you read the bill—it is apparent that after this ten-year period, which the amendment proposed to reduce to five years, the company must complete and put into operation the proposed extension. Therefore if we cut this delay to five years it means the company would have to start the building of this railroad tomorrow. We have heard evidence this morning that it took four years to build the first part of the railroad and that the terrain from Schefferville north to Ungava Bay is still worse than the experienced in the construction of the first part of the line. Mr. Durrell also mentioned that it would take some three years before a complete survey is made of the terrain north of Schefferville. This means that even if the company started work tomorrow it would not be able to complete the railroad within five years as has been suggested by Mr. Green in connection with his amendment. It would take at least seven years and probably eight or nine years.

Mr. CARRICK: Mr. Hamilton has suggested that because the company received the power to complete the railway within ten years under its original charter that constituted a responsibility upon the company to complete the construction within ten years. I do not agree. Everybody knows that when an applicant comes before this committee a period of time is mentioned which in the best judgment of those presenting the case is a period likely to be sufficient to enable the project to be completed. Mr. Durrell gave the committee a perfectly good reason why the company needed an extension of time and I think it is a reason which should satisfy every member who has considered the matter.

As far as the suggestion of a "stranglehold" is concerned, I cannot bring myself to believe what Mr. Green has envisaged. There is nothing to prevent any other company coming in if it desires to do so, and the Board of Transport Commissioners would oblige the Quebec North Shore and Labrador Railway to extend its facilities from Schefferville to the south.

It is not accurate to designate this extension of time as giving a "stranglehold" to this company. I think the witnesses have given us a fair explanation of the reason for which they are requesting an extension to ten years. Mr. Durrell has told us that it cannot be completed within six years. In spite of what Mr. Green has said I suggest that his amendment would require the company to commence construction right away. That is what the amendment would, in fact, mean and Mr. Durrell has stated plainly that this would be neither economically desirable nor feasible until some proven reserves had been discovered in the north.

Mr. MURPHY (*Westmorland*): I have heard sufficient to enable me to go along with the company's request for a delay in connection with this railway. It would appear to me that ten years is a short enough time in which to complete a line from Schefferville to Ungava bay. I can quite understand the mover and the seconder in their anxiety that such a delay should not be granted because they are entitled to believe that they might have more to say in five years time than they have now.

An Hon. MEMBER: False hope.

Mr. MURPHY (*Westmorland*): When you get down to building railways ten years is a short time. There is one more thing which I would like to bring to the attention of the mover of the resolution in connection with his description of the company and the so-called "stranglehold" on the company in Cleveland. I presume that this is a Canadian company; in fact I know that this is a Canadian company with a Canadian head office. The inference that everything will be done in Cleveland is an argument that might frighten members of the committee if it were said, for example, that control of the Canadian National Railways rested in the Kremlin. But these are our neighbours to the south and I am wondering whether the mover of the resolution really means that there are shareholders, or people outside of Canada who when they come to the meeting at the head office in Canada are still American citizens. It would appear to me that this does not seem to be the policy which has been followed. I have heard Mr. Green and the others championing the Canadian Pacific Railway and I would say that in the past at least, if not in the present, that decisions on the C.P.R. are not made in Canada but perhaps in the United States and across the pond. I cannot follow his reasoning and I would like him to explain what is so wrong with people from Cleveland, our neighbours to the south, having something to do with the railway. Is it intended to frighten the members of the committee who are Americans and who would have a say in the development of the Canadian Pacific? We members in the government here have a say in certain railway lines controlled by the Canadian National Railways in the United States. I forget the names, but they are listed in the

report every year of the C.N.R. Should we regard the C.P.R. in the same light as this railway? I think what they have asked is only fair, and we should get down to business and pass this bill.

The CHAIRMAN: Are you ready for the question?

Mr. BARNETT: I think, Mr. Chairman, I have raised some of the discussion on the amendment and that I should make my position clear by saying that in contrast to Mr. Hamilton I much prefer, if we are going to have a monopoly, that it be a public monopoly. Notwithstanding that, I would like to make it clear that I do not consider it to be fair to ask the monopoly concerned, whether they be public or private, to undertake something which is not reasonable. I would like to know whether any interest has been shown or whether there are any witnesses desiring to appear before this committee urging upon us the necessity for the immediate construction of this railway to the north. If there were mining or other concerns or Canadian people in that area who were pressing the necessity for the immediate construction of that railway, and the holders of this franchise were holding back on the construction, then I think the amendment proposed by Mr. Green—which I still feel in effect is suggesting that immediate construction should be started—would be fair and reasonable. If there are such representations to be made, I think this committee should hear them. But I do not think it is sound economics from the national point of view to urge the construction of an expensive piece of railway line which somebody is going to have to pay for directly, or indirectly which the people of Canada are going to have to pay for, if in fact the economics have not been proved to justify the construction of the railway. I think it would be foolish for us, as representatives of the Canadian people, to insist that this company hold to what may have been a bargain made in 1947 for the construction of a railway line which has not been proven to be economic.

I would be quite happy, in some respects, to support the amendment proposed by Mr. Green, but I think before I did that I would want to see something more tangible in the way of evidence that the immediate construction of the railway line is required than the committee has heard so far.

Mr. HOSKING: Mr. Chairman, since I instigated the discussion of this I think I should have something to say at this time. I raised the question of these developments there and how they would control it. I would take whatever plan there was and go along with it. I think this should be said: If this amendment passed, the directors of the company would promptly say, "We can do nothing about this; we will just stop. There is nothing there worth going after at the present time. So if this amendment goes through we could not possibly complete it in five years unless we started right away. There is nothing there to make it worth while now and we will wipe it off our books." That would be a very serious thing. I think we should go back to the time when they were having trouble getting rails and things required, and C. D. Howe had the dictatorial powers to say whether they would get those rails. It was C. D. Howe who gave them the assurance that this was an important project, and that he wanted them to go on with it despite the fact that there was a war on. The materials were required in other places, but it was his attitude which encouraged this company to go in there. Surely now we should not take the attitude we are going to have them start to do something which is not feasible and which there is no demand for right now—start right away, or get out. That is a most illogical attitude to take and one not becoming to the Conservative party.

Mr. HAMILTON (York West): You just look after your party.

Mr. HODGSON: I resent politics being brought into this. This company had a right to construct the whole line. They have done very well and have constructed half the line. The Canadian parliament gave them permission

for control for ten years. If we give them another ten years we give them control of that company for another ten years. Not all the Grits are fair-minded members of parliament, but the big number are, and if this company had an extension for five years I am satisfied that if they made any start at all, showed any reasonable reason they were going to go on and construct it, that if they came back to this committee, irrespective of who were the members on it, they would get another extension for a further five years.

The CLERK OF THE COMMITTEE: Mr. Green moves, seconded by Mr. Murphy (Lambton West), that the word "five" be substituted for the word "ten" in clause 1, line 9, of the bill.

The CHAIRMAN: All those in favour of the amendment please stand. All those against the amendment please stand.

I declare the amendment lost.

Shall clause 1 carry?

Agreed to, on division.

Shall the title carry?

Agreed to.

Shall the bill carry?

Agreed to.

Shall I report the bill?

Agreed.

EVIDENCE ON BILL 151 (LETTER Q OF THE SENATE): AN ACT TO INCORPORATE HYDROCARBONS PIPELINE LIMITED

The CHAIRMAN: The next is bill 151 (Letter Q of the Senate), "An Act to incorporate Hydrocarbons Pipeline Limited". Mr. Weaver will speak to the bill.

Mr. GEORGE DYER WEAVER, M.P. (*Churchill*): Mr. Chairman, we have with us today Mr. E. H. Coleman, Q.C., who is acting as solicitor for Canadian Hydrocarbons Limited, Mr. D. M. Deacon, Vice-president and director of Canadian Hydrocarbons Limited, and Mr. R. K. McConnell, director of Canadian Hydrocarbons Limited.

Before we call on Mr. Coleman I would like to say that when this bill received second reading, there was some question raised as to the powers in the bill and I wanted it to be clear in the mind of the committee that all the powers sought in this bill, and in some cases wider powers than are usually sought, were granted last session to several companies including Consolidated Pipelines, Petroleum Transmission Lines, S. and M. Pipelines Company, Stanmount Pipelines Company, Trans-Border Pipelines Company, Trans-Prairie Pipelines Company, Westspur Pipelines Company, and Yukon Pipelines Company Limited.

There is nothing unusual in this bill. It is the same type of bill that you have passed many times in recent years.

Mr. E. H. COLEMAN, Q.C. (*Parliamentary Agent for the applicant*): Mr. Chairman and members of the committee, Mr. Weaver has stated that the form of the bill is identical with the pattern which has been followed in relation to many similar bills during the last session. This is the first pipe line, however, which deals with the products of a pipe line.

The interests promoting the company are Canadian Hydrocarbons Limited, a dominion company incorporated under the Companies Act. Before I proceed further, Mr. Chairman, I notice that caput 3 of the bill provides that the capital stock of the company shall consist of one million shares without nominal or par value.

With your permission I would like to file an affidavit of Charles Whitefield Chappell, one of the applicants and solicitor of the company, to the effect that the aggregate consideration proposed to be received by the company on the issue of one million shares without nominal or par value constitutes the authorized capital of the company, namely \$25 million.

If the committee sees fit to report the bill, I can pay the appropriate fee on that capitalization. As I have said, we have here Mr. D. M. Deacon, vice-president and director of Canadian Hydrocarbons Limited and he will, if the committee so desires, be very glad to deal with the proposition from a business point of view, and will endeavour to answer any questions which might be put to him.

D. M. Deacon, Vice-president and Director of Canadian Hydrocarbons Limited, called.

The WITNESS: Mr. Chairman and members of the committee, the purpose of this pipe line can well be described in the words which Mr. Coleman used earlier today, as well as those of Mr. Weaver, that this is to get the "squeak out of the pig". We have in operation now Interprovincial Pipelines from Edmonton to Sarnia. We have heard and seen a lot of discussion, and I understand this year that Trans-Canada Pipelines is hoping to bring gas from the west.

This pipe line is for the actual products which we believe will become a waste unless a proper market is developed for them across the western provinces. I mean the liquid petroleum gases or l.p.g. (liquid petroleum gas), which is the term commonly used in the petroleum industry.

We visualize that our pipe line will start from around Bonnie Glen and proceed down from Regina and take on refinery products there to supply the refiners with products, and then on to Winnipeg via Brandon.

As yet the route has not been definitely laid out. We have done most of the surveying and some of the engineering on the project which has cost us in the neighbourhood of \$20,000 but we feel that the detailed engineering of the whole plan is not yet warranted until we know that we have the necessary permission such as this charter would give us to proceed with this line.

Now, we want by means of this line to make these l.p.g.'s available across western Canada at a price which will permit their use as heating fuel in competition with fuel oil. It makes propane, which is the primary product Canadian Hydrocarbons is presently engaged in selling—it makes it competitive with fuel oil for heating buildings, for heating water, for cooking, and for gasoline for use in tractors.

Only by pipe line transportation can we keep the cost of Alberta propane and surplus propane low enough in Manitoba and in most parts of Saskatchewan, to develop an attractive and sizeable market. Otherwise we shall have to visualize a substantial amount of flaring or just burning off. This is a waste of gases which are presently waste gases and which could be utilized by a farmer where he has a tank to drive his tractor, heat his house, heat his brooder house, and heat his water supply. It is also available for cooking. It a multiple purpose fuel, and it is ideal for that section of the population which is not adjacent to or conveniently near to natural gas distribution.

The approximate size of the line as we estimate it right now would be eight inches from Edmonton to Brandon, and six inches, a smaller line, from Brandon to Winnipeg. The distance would be approximately 745 miles, so it is quite a small project but we feel it would be a very useful one in utilizing waste products for the production of these l.p.g.'s which will become available in vast quantities when our natural gas begins to move out of Alberta.

The estimated cost of the line is \$24,788,000; that of the gathering system in Alberta \$6,974,000; that of the storage facilities on the prairies \$4 million; or an estimated total cost of \$35,762,000.

As I have already mentioned the purpose of this line is to get the l.p.g.'s and make them available across the prairies at prices at which we can greatly enlarge our markets.

An example of why we need it is that our present rail rate from Edmonton to Brandon is almost as much as the total laid down cost of propane imported from the United States. As a result at the present time, we are bringing most of the propane used in Manitoba in from the States. We feel that with this pipe line we can greatly increase by many times the use and consumption, and in a useful way, of propane in western Canada.

If there are any questions I shall be pleased to answer them.

By Mr. Langlois:

Q. What is l.p.g.?—A. l.p.g. is liquid petroleum gas.

Mr. LANGLOIS: Thank you.

By Mr. Murphy (Lambton West):

Q. There are two or three points I have in mind to ask you about, Mr. Deacon. The first is in connection with the capacity of the line, and your markets that you foresee in order to make this venture a sound economic one.—A. Initially we hope to make this project properly economic, and to do so we shall need to work out with the present refiners of oil products in western Canada some contracts for the movement of their products from the west to the east, where there is at the present time a substantial amount of products moving, and to combine with the markets for propane and butane.

Butane is presently a waste product, a gas which boils at 32 degrees Fahrenheit, or becomes a gas at that temperature. In the west the temperature falls far below that, and it presents a market which we feel we would like to develop for propane, butane, and natural gas, and to meet the needs of the oil refiners in the movement of their refined products.

It is estimated that there will be 100 million gallons per annum in the first year of operation which will be 1957, but that is conditional on when the gas pipe line starts; and within five years we visualize around 250 million gallons per annum.

Q. What would be the cost for refining it?—A. I shall have to look at my figures for that, I am sorry. In 1957, \$2,790,000 as compared to an expenditure of \$2,407,000; and by 1961 \$4,390,000 compared to an expenditure of \$2,487,000.

Q. What did you say it would be for the first period?—A. 1957; \$2,790,000, compared to an expenditure of \$2,407,000.

Q. So your net profit would be \$383,000 according to your estimate, or just about that?—A. Yes, sir. Approximately.

Q. You do not anticipate any difficulty in disposing of your stock?—A. We feel that in this pipe line venture, in order to work out contracts with refiners in western Canada, we shall have, probably, to share the ownership with them to some extent. We have not approached them in that connection to date, but we have worked on this with them and we have other reports which they have studied, and they have indicated their interest in the whole project and their support for it.

An example of this would be refineries which would be wanting to use this pipe line or which might be wanting to use it for the disposal of their by-products as well as for the removal of their refined products. McColl Frontenac has a refinery in Edmonton but their markets are limited of course to shipping those refined products to Regina, Winnipeg, and points east. The

indications are that if they can get a lower cost of loading that refined product all across the western provinces, they will probably participate in some contract they may form with us.

Q. You mean financially?—A. We do not know yet because we have not approached them.

Q. The area from which you are getting this gas is in the wet field is it not?—A. It is in the wet field, and the largest company in that field would be the company which is the largest one in the field of natural gas production, Gulf Oil, and there would be some production from Gulf Oil which we hope to get from them.

Q. The market you anticipate extends from where the line starts to Winnipeg?—A. That is our present market and from the look of our markets at the present time we do sell some of our products east of Winnipeg, and this would be a common carrier line.

Q. I was interested in what you said a minute ago, when you said that the southern part of Manitoba had been able to get propane from the American states at about what the freight rates would be from Edmonton to Winnipeg.—A. That is correct.

Q. I think I noticed something about this in the press, but will you please tell me this; do you anticipate shipping only those two forms of products, butane and propane?—A. We anticipate shipping the three l.p.g. principal products, and propane is the present product. You have seen those containers located about people's homes; and butane which is presently largely used in Canada only by the Polymer Corporation, and they are considering a greater use of butane in connection with the manufacture of gasolines by refineries, who use it as an anti-knock ingredient for the improvement of their gasoline.

An Hon. MEMBER: Similar to naphtha?

The WITNESS: I think it is in some degree. There is a very high octane content.

By Mr. Murphy (Lambton West):

Q. Following that up I think I saw something in the press about continuing a line through to Fort William and shipping it from there by boat. Is there anything to that?—A. At the present time that is not feasible. It is possible that in later years it will be feasible if there are better ways found of shipping propane at a lower cost.

Q. This butane you spoke about, is that used for farm purposes?—A. Butane is used by the Polymer Corporation...

Q. Do you anticipate a market for that plant in Sarnia?—A. We anticipate developing our market in Winnipeg. We think we can use it in winter peak periods if extra goes through our distributing system of the Central Gas Company.

Q. Have you had any demand or request from Ontario Chemical Industries for your product?—A. No sir, we have not approached them because of the difficulties which are intimated in this report on the shipment of butane gas at a cost low enough to attract them. At the present time it is obtained from other sources at a lower cost.

Q. Would it be feasible in your estimation for you to ship butane to Sarnia?—A. Not at the present time. If there should be an increase in the "through-put" of the pipeline and a new method of transporting butane we may be able to put it into the Ontario market but, as I say, at the present time the extension of the line to Fort William is not feasible.

Q. If you do enter the Ontario market which route would you take?—A. We would consider a route just from Winnipeg to Fort William and then we would trans-ship by boat.

Q. Have you made any economic survey of that project?—A. There has been a preliminary investigation done in this report but at the present time I would just like to quote you the figures set out on page six: the cost of propane in Alberta is estimated at four cents to the producers. The value at Fort William...

Q. The figure you have given is that at the producers separation plant?—A. That is right. We would have to enter Fort William at six cents in order to get it down to Sarnia at ten cents to compete with American butane or butane from the refineries in Ontario.

Q. You do not know whether that is a lower or higher price than charged by the United States.—A. At present the cost of butane in Sarnia is ten cents.

Q. Your line would not be feasible if you shipped your product to Fort William and then by boat to Sarnia?—A. No sir. Not at the present time.

The CHAIRMAN: Are there any other questions which members of the committee would like to ask?

By Mr. Harrison:

Q. As a Saskatchewan member I am conversant with your product and with its advantages in the west. I would like to ask you this: you expect, I suppose, to put bottling plants in the various towns along the line?—A. We have approved our distribution points. Quite a few of them in Saskatchewan are new ones. We have a new one at Melford which opened in December and our plants have been located in centres which our test market survey has indicated as likely to be most favourable. We would trans-ship from the pipe line to the distribution points by rail and tractor-trailer.

Q. How is that going to affect cost as compared with present rates?—A. We are hopeful it will make it possible considerably to reduce our costs because at the present time our retail rate for bulk deliveries is around 25 cents in the neighbourhood of Melford and we are endeavouring to get that down much closer to the Edmonton price which is around 15-17 cents.

Q. How much closer?—A. We do not know how much closer we can get it but it is particularly advantageous to points that are further away from Edmonton.

Q. You have a distribution at Lloydminster as well?—A. We have one at Lloydminster, North Battleford and a several points in the west.

Q. You envisage a price of something in the order of 17 cents at Lloydminster and North Battleford?—A. That is the present price around Lloydminster—17 cents.

Q. It would be progressively less at Lloydminster?—A. We would hope to lessen the differential that exists at the present time between the prices in eastern and western Saskatchewan—to even it out more and make it possible for us to sell this fuel at a price comparable to the heating oil.

Q. I may say it has quite a future if you can sell it around 17 cents.

By Mr. Hahn:

Q. Is it necessary for this liquid gas to be removed at the refinery before the natural gas is put into the Trans-Canada pipe line?—A. It is a little more advantageous to remove it right at the beginning because otherwise the gas pipe line would have to have stripping plans to take it out all along the route of the pipe line, and those points might not be placed within convenient distance of the best markets for the product. By taking it out at the beginning and putting it into our pipe line we could move it to where the markets are at low cost.

Q. What is the rail rate per gallon on the substance?—A. It varies. Between Edmonton and Winnipeg it is 5·5 cents per imperial gallon; between Edmonton and Brandon it is 5·3 cents; between Edmonton and York 5·8 cents; between Edmonton and Saskatoon, 4·1 cents.

Q. That is sufficient to answer my question. Can you tell us now what is the price at which your line would carry the gas, let us say, from Edmonton to Winnipeg, by comparison with the rates you have just quoted.—A. We have worked out an average price. It is worked out around four cents across the west.

Q. Would this be to Winnipeg?—A. Yes. We hope to have that put down. We hope to be able to decrease those rates.

Q. The difference in price, if you will make this available say in Winnipeg, would be sufficient to keep American gas or propane and so on from coming in there?—A. We feel we can almost entirely rely on the Alberta supply, which we want to do.

Q. By the building of this line how much freight do you expect to do our railways out of?—A. We hope we won't do them out of any freight because at the present time we just cannot afford to bring it in, in any quantity, all the way across Manitoba. We are not shipping nearly as much as we would ship if the American price was not lower for the area. We buy where we can lay it down cheaply and the laid-down price includes the cost at Edmonton plus the transportation cost, and there is a division line somewhere through Saskatchewan between the cost of laying down American propane and the cost of bringing in Edmonton propane.

Q. You rest assured you have a continuing supply of large enough quantity to supply this whole market?—A. It is estimated by the Alberta Conservation Board there will be a tremendous amount of this propane available. There is quite a problem finding an economic market for it. We feel that this will enable us to provide the refineries and the gas producers with a reasonable price for their waste product.

Q. Is this in any way dependent upon the building of the trans-Canada pipeline?—A. Yes.

Q. They are related?—A. Yes.

Q. If we do not get the trans-Canada bill there is no object in building this one?—A. That is right.

Mr. WEAVER: Mr. Chairman, are there likely to be many further questions. The gentlemen expected to leave for Montreal at 2:30. They would be willing to come back on another day.

The WITNESS: We can postpone the Montreal trip. It is better to wind this up if possible.

Mr. CARRICK: Can we finish it now.

Mr. GREEN: There are different questions to be asked.

The CHAIRMAN: We will resume at 3 o'clock this afternoon.

The CHAIRMAN: Gentlemen, we have a quorum. We are on Bill 151.

Mr. D. M. Deacon, Vice-President and Director of Canadian Hydrocarbons Limited, recalled.

By Mr. Hamilton (York West):

Q. I have a couple of questions to ask Mr. Deacon. Mr. Deacon, just before we closed, I think Mr. Hahn asked you a question about this line and the construction of this line being dependent on the construction of the trans-Canada pipeline. Is that right?—A. That is correct.

Q. In other words the supply of your material will be dependent upon the amount of gas taken from the wells and put in the other line?—A. That is right. There is not a sufficient supply of propane taken out of the wells in Alberta at the present time to justify the line.

Q. Where do you get the present supply of these three substances you referred to and which you are distributing in western Canada?—A. From refineries in western Canada as well as from a point in North Dakota and from other states.

Q. This material comes in in bottles?—A. In rail tank cars especially constructed for that purpose, pressure tank cars.

Q. How is it distributed? I assume in Alberta you are using the surplus there, but when you get into Saskatchewan and Manitoba does that mean you are importing from the South?—A. Yes. We are getting some supplies from the refineries in Moose Jaw and Regina and some Saskatchewan supplies are coming in from Alberta, but the remainder from the States.

Q. Can you give us any idea of the volume of the material that is coming in from the States, dollar value?—A. It would be in the neighbourhood of 3 million gallons a year, I would think, at the present time.

Q. What does that mean to the consumer?—A. To the consumer the average price would be around 23 cents, I would imagine.

Q. How much would it be to the purchasing company?—A. Around an average cost of 10 cents.

Q. Delivered at the border, is that it?—A. Laid down at our point of distribution.

Q. We are talking of roughly \$300,000 we are spending in the States?—A. At the present time.

Q. Will that all be cut out by the use of this line?—A. We hope to cut that out. We anticipate a tremendous increase in the use of propane. Our marketing increased from 4 million in 1954 to around 11 million in 1955 in the companies to which we are distributing our products.

Q. With the use of the line it will make this a competitive product right as far as the easterly border of Manitoba?—A. That is what it appears we can do by means of this pipe line.

Q. There is going to be a basic saving of 300,000 American dollars in this program?—A. We would hope at least that much.

Q. When you speak about "we" you presently are in business in the distribution business?—A. We wholly own certain companies in the west; Canadian Propane, Manitoba Canadian Propane, Saskatchewan Propane, and we have a large interest in Canadian Propane Limited, headquarters in Edmonton—that is, Canadian Hydrocarbons.

Q. Canadian Hydrocarbons Limited owns these three subsidiary companies who take part in the distribution of these three gases?—A. Yes.

Q. Are they wholly owned subsidiaries of Canadian Hydrocarbons Pipeline Limited?—A. The first mentioned are wholly owned subsidiaries. The last one we own a majority of the stock in, Canadian Propane Limited of Edmonton. The rest of the stock is publicly held.

Q. What is the breakdown of the ownership of Canadian Hydrocarbons?—A. It is a company that was formed by Winnipeg and Central Gas Company for the purpose of developing markets for propane and in developing the uses for hydrocarbons in other fields. We felt that the public utility companies, like Winnipeg and Central Gas, should stick to the distribution of natural gas, and Canadian Hydrocarbons was formed and developed the whole scope of hydrocarbon surplus products in the west. It was formed by the sale of stock to the shareholders of Winnipeg and Central Gas.

Q. Canadian Hydrocarbons is not a subsidiary of Winnipeg and Central Gas Company? It might be an affiliate; the same group are shareholders?—A. Winnipeg and Central owns approximately 16 per cent of the stock of Hydrocarbons in its own right.

Q. Have you any idea how the balance of 84 per cent is made up?—It is widely held by the public.

Q. Was it distributed through the Canadian stock market?—A. Entirely in Canada. It was entirely distributed in Canada and there was no offering of stock in the United States.

Q. This, to all intents and purposes, has been a wholly-owned Canadian company?—A. As much as any stock stays in Canada. We feel we have full control of the situation in Canada.

Q. Are the executives of Winnipeg and Central also directors of Canadian Hydrocarbons?

Mr. BYRNE: Mr. Chairman, on a point of order, I thought it was understood a member, having established the fact that he had the floor, that he should be standing on his feet.

Mr. HAMILTON (York West): Before you were on the scene this was mentioned and the chairman gave me permission to remain seated.

By Mr. Hamilton (York West):

Q. Are the executives of this company directors or executives of the Canadian Hydrocarbons Limited to a great extent? Are they the same board?—A. Not quite, a great majority of the directors of Winnipeg and Central are directors of Hydrocarbons. The directors are largely the operating men responsible for the operations of the subsidiaries.

Q. Throughout the four or five organizations I see here you do have the sales outlet and sales machinery and everything else to get your product down to the consumers?—A. That is right. All under the same management in effect; under the same control, you might say, from Winnipeg and Central right down to the organization.

Mr. BYRNE: Mr. Chairman, has this company given any consideration to the development of a market in the North Dakota or Minnesota area in the United States?

The WITNESS: There are ample supplies available to those areas at the present time from stripping plants in the United States at a cost below that at which we can hope to supply them.

By Mr. Green:

Q. You mentioned this morning about relying on the construction of Trans-Canada Pipelines for this enterprise. Have you given any thought to using the same right away?—A. We haven't gone into the details. We feel we can only decide the definite route after we have done the detailed engineering. At the present time we have made this study, or we had the study made by what we feel are quite competent people, and it indicates that a line is justified and we felt at this point we should get our necessary permissions to go ahead and then we would definitely get the detailed engineering done and decide exactly on the route to be followed. Naturally we would hope we can take the route with the easiest rights-of-way.

Q. But you cannot do any actual work until you get an order from the Board of Transport Commissioners; is that right?—A. Yes.

Q. When you apply to the Board of Transport Commissioners you have to indicate to them exactly where your line is going to be?—A. At that point we will have to indicate the exact route on the map.

Q. You would have that done before you would go to them showing where you are going?—A. We would have to have completed our detailed work, or have it under way.

Q. What is the practice on the prairies regarding these pipe lines? Do you think there is any possibility of this pipe line and the Trans-Canada being put on the same right-of-way?—A. I could not answer that question. I understand that Trans-Canada has its own powers to obtain rights of way and I imagine that it would be a matter for us to negotiate with Trans-Canada; or if we worked with Inter-Provincial, to negotiate with them on our own. We would have to take the most logical route that appeared under the circumstances.

By Mr. Byrne:

Q. Regarding the markets in Minnesota you stated that your company has no markets there by virtue of the fact that American companies are supplying that particular area. Is there any reason why the American companies cannot then apply this product to the Winnipeg area at a reasonably competitive rate with your own?—A. Not without a pipe line. At the present time we are bringing in propane from this area to the lower section—about this sort of range—but that is where an economic barrier exists for the Alberta gas to come down, and there is a very low rate in bringing gas up from the states into Winnipeg; and the main line there, I mean the economic point between the Winnipeg supply and the American supply is somewhere on the border at the present time.

Q. You are presently supplying a small area too in lower Saskatchewan?—A. We are presently supplying that area through here with Williston United States propane gas. We have no sales south of the border. All of our operations are in Canada.

By Mr. Hahn:

Q. You have other interests in each province. Have you subsidiary ownership of any companies within each province at the present time?—A. We have incorporated separate companies to handle the operations in each province purely as a matter of convenience.

Q. Do you have a contract with the Alberta Conservation Board now to supply butane and propane as you propose through the pipe line?—A. No. We have approached the Alberta Conservation Board and they have themselves said—as well as other studies we have done on the waste l.p.g. situation that faces the industry in that particular field; and that is as far as we have gone at the present time.

Q. You have not an understanding with them so that on the receipt of a charter or permission.—A. We had no charter and we had no company to go to them with. We have begun our approach to them and we have no reason to fear an unfavourable reaction by them.

Q. If you should have the right given you by this parliament, do you feel that they would give you sufficient gas to operate?—A. The studies which their conservation board has made indicate that there is going to be a substantial surplus of propane and butane beyond anything they can use themselves in the province available for use elsewhere, and they are quite concerned at the present time with the amount of flaring that is going on in the course of just ordinary oil production now.

There has to be a substantial market made available to these oil and gas producers in order to justify an investment in the stripping out of what is presently a waste product, and we hope by means of this pipe line to provide these substantial markets with contracts which will enable these oil producers and gas producers to build these stripping plants.

Q. How many individual distributing firms are in competition in each of the provinces?—A. There is a tremendous number, but there are probably only three or four substantial ones. However, there is a great number of independent ones, and our fear about the industry in the past has been that because of the great number of independents there were no standards of safety, no standards of service provided, and that the public did not have confidence in this form of fuel.

What we want to do is to create a uniform operation across the provinces that people will feel is a substantial one and can look upon it for their supplies. You may have noticed last fall when a shortage of propane existed in western Canada, that in Alberta there were two companies which still had supplies, and ours was one of them.

Q. Is it your intention to bring these other companies in, or permit them to become shareholders within your firm?—A. Anybody can buy stock in our company.

Q. I realize that. You can do that through a brokerage firm of course; but is it your intention to take in some of these companies which have quite an investment? If you start to come in with a guaranteed supply, they will automatically find that it assists their business and that it will provide investors?—A. We have been supplying them in Alberta when they ran out of supplies. They could come to us and take our supplies, and we helped them so that they could fill their orders.

Q. You will still let them keep their charters?—A. Naturally!

Q. Or become your distributors, in other words?—A. They will be able to buy from the general pipe line at the same price as we could, as a common carrier, make the product available to any one.

Q. That is my point. It is a common carrier and they can become companies if they so desire for the distribution of that product in any municipal district if they have a charter?—A. Yes.

The CHAIRMAN: Carried.

By Mr. Holowach:

Q. Am I right in my understanding, Mr. Deacon, that you are asking for the incorporation of this company so that you might make a formal application to the government of the province of Alberta for an export permit. Is that correct?—A. That is one of the steps we have to take. I am not sure of all the steps we have to take but one of our next steps is to go into a further study once we have our charter, and we will work, likely, more closely with the oil producers and the gas producers in order to study the detailed engineering behind this, and we will work very closely with the Alberta Conservation Board as to the permits we need.

Q. This enterprise is contingent upon your receiving an export licence from the provincial government of Alberta?—A. That is correct.

Q. When you receive that licence, when do you anticipate that this line will come into operation?—A. Just as quickly as Trans-Canada starts.

The CHAIRMAN: Are there any further questions? Shall the preamble carry?

Carried.

Shall clause 1 carry?

Carried.

Shall clause 2 carry?

Carried.

What about clause 3?

The capital stock of the Company shall consist of one million shares without nominal or par value.

Mr. HOSKING: Mr. Chairman, I have a motion seconded by Mr. Byrne which reads as follows: "That, for the purpose of levying the charges specified in Standing Order 94(3), the Committee recommend to the House that the proposed capital stock, consisting of one million shares without nominal or par value, be deemed to be twenty-five million dollars (\$25,000,000)."

The CHAIRMAN: Is the motion agreed to? Does clause 3 carry?

Carried.

Clause 4.

(1) The head office of the Company shall be in the city of Calgary, in the province of Alberta, which head office shall be the domicile of the Company in Canada; and the Company may establish such other offices and agencies elsewhere within or without Canada as it deems expedient.

(2) The Company may, by by-law, change the place where the Head Office of the Company is to be situate.

(3) No by-law for the said purpose shall be valid or acted upon until it is sanctioned by at least two-thirds of the votes cast at a special general meeting of the shareholders duly called for considering the by-law and a copy of the by-law certified under the seal of the Company has been filed with the Secretary of State and published in the *Canada Gazette*.

By Mr. Hahn:

Q. I would like to have an explanation with respect to Clause 4, sub-clause (2) which states "that the company may, by by-law, change the place where the head office of the Company is to be situated".

This has an important bearing on the fiscal relations with us, with respect to the inter-provincial and federal tax relations, and I was just wondering about the reason for this particular desire to change?—A. At the time this was considered our head office was at Edmonton which is the centre of a lot of industry in Alberta. On the other hand Calgary is the centre of a lot of head offices as far as oil companies are concerned; and Winnipeg was the head office of our own company. We felt under the circumstances that at the present time the head office should be located in Calgary, but we do have these other two cities in mind. It might be that the operations would justify a switch in the location of the head office at a later date.

Q. Well, what reasons do you have for choosing Calgary?—A. The people with whom we are going to participate the actual oil producers and gas producers, are located there as well as the staffs with whom we will be dealing. They are located in Calgary right now.

Q. That brings me to the other question I have been considering. With that thought in mind you change, let us say, to Manitoba. Your biggest taxes—corporate tax particularly being an important part of the fiscal-federal question which is being widely discussed at the present time—it might mean a change of revenue from one province to another and there might be considerable animosity with regard to the fact that you are getting your product from one province and paying your money to the benefit of another. No doubt some of my hon. friends have their own views on this matter but I am thinking specifically of the fact that you are depleting resources in the way of natural gas—perhaps I had better say liquid gas in this instance—and that those

resources come from a particular province. Some feel, therefore, that the head office should be situated in that province and that they should get the revenue which is produced in taxation from that source.—A. Our feeling on that point is that unless the other two provinces had a market for that specific resource it might just burn in the air and therefore they have a right, too.

Mr. McCULLOCH (*Pictou*): I think we should have an explanation of what is involved in the motion with respect to clause 3 and perhaps hear some comment in respect of that.

An hon. MEMBER: It is passed.

Clause 4 agreed to.

Clause 5 agreed to.

Mr. BYRNE: On clause 6, Mr. Chairman, the evidence before the committee has shown that there is no intention on the part of this company to export their product into the United States or outside Canada. I am wondering if this section provided in sub paragraph (a) to the effect that the main pipe line or pipe lines would be located in Canada is really relevant. Does it not rather clutter up the bill? I would like to ask whether it is necessary for the operation of this act.

The WITNESS: I am sorry sir but I did not quite understand that question. I take it you are wondering why we are cluttering up our act with that provision about being able to go outside Canada. . . .

Mr. BYRNE: I am wondering if there is any necessity for this provision that the main pipe line should be located within Canada, since the very nature of your product and the explanations you have given to the committee show that it must be.

Mr. COLEMAN: That is done to conform with the language used in pipe line bills. It is the same wording as was inserted in eight pipe line bills which were reported by this committee during the last session of parliament.

Clause 6 agreed to.

Clause 7 agreed to.

The CHAIRMAN: I understand with regard to the point raised by Mr. Byrne that the same wording has been used here as is used in all the pipe line bills.

Clauses 8 to 10 inclusive agreed to.

The CHAIRMAN: Shall the title carry?

Agreed.

The CHAIRMAN: Shall I report the bill?

Agreed.

The CHAIRMAN: This committee is adjourned to the call of the chair.

